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Discussion Group Topic No. 6

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THE FARMER AND THE CONSUMER OF FARM PRODUCTS --
WHAT, IF ANY, ARE THEIR OBLIGATIONS TO ONE ANOTHER?



This material has been prepared to supply assistance for discussion groups. It is not intended to direct attention to any particular point of view. Neither is it presumed to be a complete or even an orderly presentation of the discussion possibilities of the topic. Its purpose is to stimulate discussion. It is intended to assist in creating opportunities for discussion in the belief that through intense discussion people may find ways of thinking through for themselves vital questions which require democratic decision.

The attention of discussion leaders and others is called particularly to the availability of "Discussion: A Brief Guide To Methods." This contains practical suggestions and information.

Copies of "Discussion: A Brief Guide to Methods," and copies of this and other group discussion topics can be obtained from the Department of Agriculture, Room 202, Washington, D. C., or by writing to the state agricultural college of your state.

February, 1935.

Topic: THE FARMER AND THE CONSUMER OF FARM PRODUCTS--
WHAT, IF ANY, ARE THEIR OBLIGATIONS TO ONE ANOTHER?

When prices of farm products are very low, the bread lines in the cities are said to be very long. Unemployed families do not consume many steaks. Farmers getting 30 cents a bushel for wheat do not buy many new radios. To what extent are farmers dependent on the size of the payrolls of factories? To what extent are industrial workers dependent upon consuming power among farm families?

1. ARE PROCESSING TAXES JUSTIFIED AT A TIME WHEN THE INCOMES OF MANY CONSUMERS OF FARM PRODUCTS ARE VERY LOW?
2. IS THERE A CONFLICT BETWEEN THE INTERESTS OF THE CONSUMER AND THE FARM PROGRAMS?
3. SHOULD FARMERS IN THIS NEIGHBORHOOD FAVOR FAIR INDUSTRIAL WAGES AND GOOD WORKING CONDITIONS IN FACTORIES LOCATED IN CITIES A HUNDRED, OR EVEN A THOUSAND, MILES AWAY?
4. HOW CAN BOTH FARMERS AND CITY PEOPLE GET THE FAIREST DEAL AS CONSUMERS?
5. SHOULD FARMERS FAVOR OR DISAPPROVE ACCURATE LABELS AND QUALITY STANDARDS FOR ALL PRODUCTS AND GOODS?
6. SHOULD CONSUMERS ORGANIZE TO SECURE THEIR MUTUAL INTERESTS?

SOME PROS AND CONS

I.

"The farmers should have "parity prices", but consumers should be vigorously protected in order that they will not be gouged or exploited. Frequently, a change in farm prices means much less of a change to consumers because farmers may be ordinarily getting a small share of the consumer's dollar. For instance, it is possible to increase the price to the farmer 50 percent of some products without increasing the price of the finished product to the consumer more than 10 percent".

II.

"Farmers and consumers are both getting 'gyped'. We need both producer cooperatives and consumer cooperatives. These two should then deal with one another. The advantages of the cooperative are that democratic methods are used and both the consumer and the farmer have more of a chance of getting a square deal by dealing directly with one another. Both in Denmark and England this type of cooperation has been practised successfully. Economics have been achieved of benefit to both producers and consumers by reducing spreads in their prices".

III.

"There is no hope of doing much until the government gets into the distribution process. There should be a governmental marketing corporation which will see that farmers get fair prices for their crops and that consumers are supplied with the necessities of life at fair prices. The necessity for profits would be removed. Distribution costs would be more flexible, reflecting actual handling and processing costs. The temptation with private handling and processing of farm products is to increase spreads - and profits - at every opportunity instead of making service at the lowest possible cost to the consumer as the primary consideration".

IV.

"Consumers should have much more protection from the government than they are now getting. The government should enforce accurate labeling on products, and should be empowered to control false claims in advertising of foods and drugs. The government should stay out of the distribution business as a participant but it should follow a vigorous regulatory policy. It should lay emphasis on quality as well as low prices to consumers".

V.

"Consumers should not have any protection from government. They should learn how to take care of themselves. The ordinary processes of education should be relied upon to protect consumers. The consumers don't have to buy from any particular individual or firm. The consumer will buy from the concern which will give him the lowest prices and the best quality. Thus, through competition the purposes of the consumer will best be served. The farmer with the highest quality products also stands to receive the most satisfactory prices under this system."

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This bulletin is divided into two major parts corresponding to two questions, Who really pays the processing tax on hogs and Who suffers from the reduced production and therefore consumption of hogs? "The one part deals with the burden or incidence of the processing tax in the early stages of the program before a reduction in hog production has been effected, and the other deals with the burden of the reduction after it has been put into effect and begins to show up in reduced market receipts of hogs." For various reasons the objective of the bulletin cannot be fully attained, so it is a preliminary report only. It points out "the factors that need to be considered, and outline(s) broad and tentative answers; it.... indicate(s) the lines along which further research is needed before complete and exhaustive answers can be given."

U. S. Dept. of agriculture, Agricultural Adjustment Administration. Corn-hog adjustment. A handbook for use in the Corn-hog adjustment program. 103pp. Washington. 1935. (C.H.-113)

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Contents: Chapter I, The 1935 corn-hog adjustment program; Chapter II, Corn-hog adjustment in 1933-34-a review; Chapter III, The processing taxes; Chapter IV, The "why" of the corn-hog program.

Part of the chapter on processing taxes is concerned with why pays the processing tax - the effect of the processing tax upon producers, consumers, and processors and other handlers, and the processors' gross margin.

U. S. Dept. of agriculture. Agricultural Adjustment Administration. The facts about wheat. A review of the wheat situation as it affects wheat growers of the United States. 28 pp. Washington, 1935. (Commodity Information Series - Wheat Circular No. 1)

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"This publication is intended to give a brief summary of the pertinent economic facts in the wheat situation of the United States and of the world. It incorporates a review of the 1933-35 wheat program, as that program relates to the current wheat situation, and the future of wheat production adjustment." -p.III.

Financing the program, pp. 11-13; Determining the rate of the processing tax, pp. 13-14; Consumers' interest in the wheat program, pp. 16-17; Food supply, pp. 17-18; Price of bread, pp. 18-19.

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The index numbers of the cost of distribution of farm products given in this article are kept up to date in the current numbers of Farm Economics.

